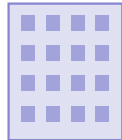


Business and its Environment

A-Level Business ■ Topic 1

A-Level Business



Business and its Environment

What we will cover

- 1 Purpose & adding value
- 2 Enterprise & the business plan
- 3 Sectors & legal structures
- 4 Size & growth
- 5 Objectives & stakeholders
- 6 Recap



1

Purpose and value

Why businesses exist

A business combines the four **factors of production** 生产要素 to satisfy a need or want and, usually, to make a profit.

land

自然资源

labour

劳动

capital

资本

enterprise

企业精神

Adding value

Added value 附加值 = selling price – cost of bought-in materials. Ways to raise it: better design, branding, convenience, quality, unique features.

Added value is not the same as profit – profit also subtracts wages, rent and other costs.

2

Enterprise and plan

Entrepreneurs and enterprise

An **entrepreneur** 企业家 takes the risk to start a business; an **intrapreneur** 内部创业者 does so inside a firm. Traits: **innovative** 有创新精神的, risk-taking, determined, self-confident.

Enterprise helps a country: more jobs, output (**GDP** 国内生产总值), competition and **economic growth** 经济增长.

A **business plan** 商业计划书 helps win finance & set goals.

3 Sectors and structures

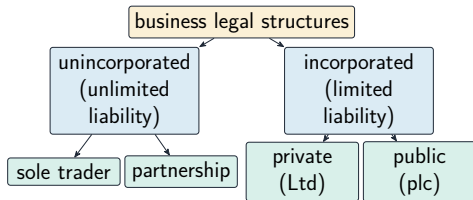
Sectors of business activity



- **primary** 第一产业 – raw materials
- **secondary** 第二产业 – manufacturing
- **tertiary** 第三产业 – services
- **quaternary** 第四产业 – knowledge

Private 私营部门 (profit) vs **public sector** 公共部门 (service).

Legal structures and liability



Sole trader 个体经营者,
partnership 合伙企业,
Ltd 私人有限公司, **plc** 上市公司,
franchise 特许经营.

Limited liability 有限责任:
owners lose only what they
invest. Unincorporated = **un-**
limited.

4 Size and growth

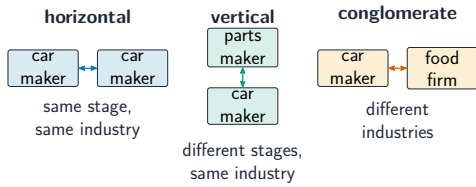
The size of a business

No single measure – use more than one:



Small businesses still matter – jobs, local service, quick to react, new ideas.

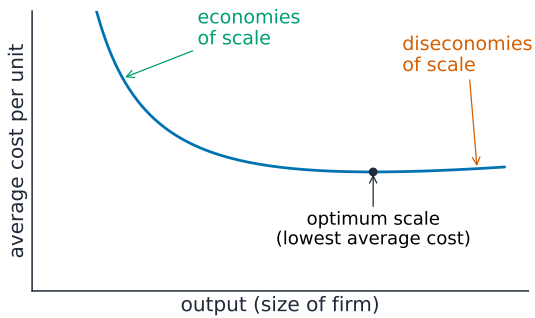
Business growth



Internal 内部增长 (organic) vs
external 外部增长
(**merger** 合并/**takeover** 收购).

- **horizontal** 横向整合 – same stage
- **vertical** 纵向整合 – different stage
- **conglomerate** 混合整合 – diversify

Economies of scale



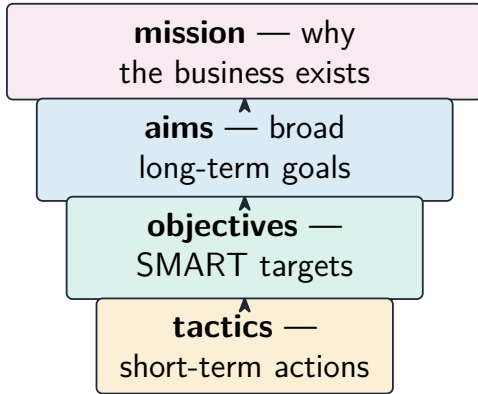
Economies of scale 规模经济
lower **average cost** 平均成本 as
a firm grows (purchasing,
technical, financial, managerial,
marketing).

Grow too big ⇒ **disec-
onomies** 规模不经济: poor
communication, coordina-
tion, motivation.

5

Objectives and stakeholders

Aims, objectives and mission

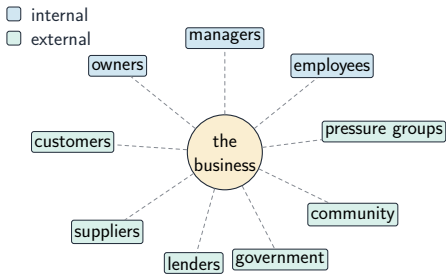


Mission 使命宣言 → **aims** 目的 → **objectives** 目标 → tactics.

Good objectives are **SMART**:
Specific, Measurable, Achievable, Realistic, Time-bound.

Types: profit, growth, **survival** 生存, market share, **CSR** 企业社会责任.

Stakeholders



A **stakeholder** 利益相关者 has an interest in the firm.

- **internal**: owners, managers, employees
- **external**: customers, suppliers, lenders, government, community

Their aims **conflict** 冲突; manage by communication & **compromise** 妥协.

6

Recap

Worked example – added value

A maker buys wood for £80, pays £120 in labour, and sells the table for £350. Find the added value.

- Added value = selling price – cost of bought-in materials.
- = $350 - 80 = \text{£}270$
- Labour is not deducted – it is one of the costs added value must cover.
- Raise it by branding, design or better service, not just by charging more.

The classic trap: added value is **not** profit. Profit deducts **every** cost; added value deducts only **bought-in materials**.

Topic 1 – key takeaways

1 Resources

four factors of production; add value

2 Structures

sole trader to plc; limited liability

3 Growth

integration; economies & diseconomies

4 Objectives

SMART; stakeholders' aims conflict

Check yourself

- 1 Name the four factors of production.
- 2 Which structure has unlimited liability?
- 3 What does the M in SMART stand for?
- 4 Give one internal and one external stakeholder.



Answers 1. land, labour, capital, enterprise 2. sole trader / partnership 3. Measurable 4. e.g. employee; customer